LAKE LIVINGSTON WATER SUPPLY CORPORATION

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

December 31, 2022 and 2021

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INDEPENDENT AUDITORS' REPORT

Board of Directors Lake Livingston Water Supply Corporation Livingston, Texas

Opinion

We have audited the accompanying financial statements of Lake Livingston Water Supply Corporation (a Texas nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lake Livingston Water Supply Corporation as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lake Livingston Water Supply Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lake Livingston Water Supply Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Lake Livingston Water Supply Corporation's internal control. Accordingly, no such opinion is expressed.



- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lake Livingston Water Supply Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Water Usage Details and Statistics is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

CERTIFYED PUBLIC ACCOUNTANTS

Lufkin, Texas March 23, 2023



FINANCIAL STATEMENTS

LAKE LIVINGSTON WATER SUPPLY CORPORATION STATEMENTS OF FINANCIAL POSITION December 31, 2022 and 2021

	2022		2021
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 1 631 271	\$	1 732 884
Accounts Receivable:			
Trade (net of allowance of \$37,966 for 2022 and 2021)	824 124		743 402
Prepaid expenses	227 505		171 237
Inventory	319 765		227 371
TOTAL CURRENT ASSETS	3 002 665	-	2 874 894
Reserve Funds:			
Cash and cash equivalents	3 852 977		3 574 428
TOTAL RESERVE FUNDS	3 852 977		3 574 428
Property, Plant and Equipment:			
Land	928 308		924 588
Buildings	1 772 104		1 772 104
Water supply and distribution	36 113 683		35 896 341
Transportation equipment	1 037 298		913 574
Office furniture and equipment	308 331		300 410
Construction in progress	234 826		227 354
Capital lease asset	98 194		31 588
TOTAL PROPERTY, PLANT AND EQUIPMENT	40 492 744		40 065 959
Less: Accumulated depreciation	(17 455 016)		(16 673 948)
TOTAL NET PROPERTY, PLANT AND EQUIPMENT	23 037 728		23 392 011
Other Assets:			
Investments - CoBank	196 376		215 518
TOTAL OTHER ASSETS	196 376		215 518
TOTAL ASSETS	\$ 30 089 746	\$_	30 056 851

The notes to financial statements are an integral part of these statements.

		2022	 2021
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts payable	\$	60 474	\$ 77 946
Accrued liabilities		235 624	214 899
Customer deposits		273 701	243 851
Current portion of long-term debt		1 761 929	 1 740 601
TOTAL CURRENT LIABILITIES	-	2 331 728	 2 277 297
Long-Term Liabilities:			
Long-term debt		13 057 103	14 120 084
TOTAL LONG-TERM LIABILITIES	-	13 057 103	 14 120 084
TOTAL LIABILITIES	-	15 388 831	 16 397 381
Net Assets:			
Membership certificates	-	715 000	 701 400
Unrestricted Net Assets:			
Reserved		3 852 977	3 574 428
Unreserved		10 132 938	9 383 642
TOTAL UNRESTRICTED NET ASSETS	-	13 985 915	 12 958 070
TOTAL NET ASSETS		14 700 915	 13 659 470

TOTAL LIABILITIES AND NET ASSETS

\$ <u>30 089 746</u> \$ <u>30 056 851</u>

LAKE LIVINGSTON WATER SUPPLY CORPORATION STATEMENTS OF ACTIVITIES For the Years Ended December 31, 2022 and 2021

Operating Income: \$ 6 242 517 \$ 5 997 249 Wate revenues 16 16 25 140 225 Late charges, and return check charges 23 36 68 52 Disconnect fees 46 752 39 300 Other operating income 669 100 6 39 986 Operating Expenses: 37 768 802 Annual meeting 312 1.228 Back debts 37 766 860 Board of Directors expenses and fees 1.776 860 Communications and telephone 41 336 43 615 Communications and telephone 1.3481 1.16 150 Communications and telephone 1.3481 1.16 150 Communications and telephone 1.3481 1.16 150 Communications 1.3481 1.16 150 Deperatidition and amoritation 2.907 87 822 Dues and subscriptions 2.917 8.7820 Laboratory testing 2.917 8.7820 Dues and subscriptions 2.917 8.7820 Laboratory testing 9.9204 4.972 <t< th=""><th></th><th></th><th>2022</th><th>_</th><th>2021</th></t<>			2022	_	2021
Tap fees 161 625 140 225 Late charges, and return check charges 92 346 66 8552 Disconnect fees 92 346 66 8552 Disconnect fees 113 862 98 872 TOTAL OPERATING INCOME 6559 100 6333 998 Operating Expenses: 832 1228 Annual meeting 832 1228 Bad debts 39 730 49 521 Bark fees 106 860 Board of Directors expenses and fees 37 768 33 220 Chemical usage 121 1083 97 799 Other employee benefits 2 867 949 Commutations and telephone 41 836 43 615 Commutations and telephone 1014 1014 Commutations and telephone 98 9027 67 779 Depression and antization 98 9027 67 779 Depression and antization 98 9027 67 797 Depression and antization 98 9027 67 797 Depression and antization 98 9027 67 77 Depression and an		¢	C 242 E17	÷	F 0F7 340
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Disconnect fees 48 750 39 000 Other operating income 13 862 98 972 TOTAL OPERATING INCOME 6 559 100 6 303 998 Operating Expenses: 37 768 352 Annual meeting 37 768 35 20 Bank fees 1 706 860 Board of Directors expenses and fees 37 768 35 20 Chemical usage 171 003 97 779 Other employee benefits 2 167 949 Commutications and teleptone 41 836 43 615 Commitment fees 1014 1014 Computer operations 58 6629 61 288 Customer relations 13 861 16 55 Deprociation and amorization 890 927 877 892 Dues and subscriptions 2 915 8 577 Education 11 057 7 058 Rower fund 318 633 Insurance 480 162 439 833 Inventory adjustments 2 651 1 730 Indice supplies 2 90 032 2 2 656					
Other operating income 13 862 98 972 TOTAL OPERTING INCOME 6 659 100 6 333 998 Operating Expenses: 397 30 49 521 Bad debts 39 730 49 521 Bad debts 39 730 49 521 Bank fees 1706 860 Other operating Deve benefits 2 267 949 Communications and telephone 41 835 43 515 Communications and telephone 10 14 10 14 Computer operations 28 629 61 288 Customer relations 13 1861 15 15 Depending Use professional anomotization 29 092 7 87 892 Dues and subscriptions 2 15 18 577 Education 11 057 7 058 Flower fund 318 6 633 17 14 11 91 33 15 156 Deprecisation and anomization 2 015 8 577 Education 10 167 7 058 Flower fund 318 6 33 730 20 15 8 577 15 8 577 Legal and professional services 13 71 14 119 133 16 22 656 20 02 2 25 666 </td <td></td> <td></td> <td></td> <td></td> <td></td>					
TOTAL OPERATING INCOME 6 659 100 6 303 998 Operating Expenses:					
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Annual meeting 832 1 228 Bad debts 39 730 49 521 Bank fees 1 706 860 Bad debts 37 768 35 220 Chemical usage 171 083 97 799 Other employee benefits 2 267 949 Communications and telephone 41 836 43 615 Communications and telephone 13 481 1014 Computer operations 58 629 61 288 Customer relations 890 927 877 892 Dues and subscriptions 2 915 8 577 Education 11 057 7 058 Rower fund 318 633 Insurance 460 162 439 833 Insurance 6 056 42 47 Legal and profesional services 137 154 11 93 Meaks and travel 2 517 8 53 20 Operational fees 26 23 22 696 Operational fees 23 354 30 040 Other 2 8 17 23 72 Paynoll taxes 1	TOTAL OPERATING INCOME		6 659 100	-	6 303 998
Bad debts 39 730 49 521 Bank frees 1766 860 Board of Directors expenses and frees 37 768 35 220 Chemical usage 171 083 97 799 Other employee benefits 2 267 949 Communications and telephone 41 836 43 615 Communications and telephone 41 836 43 615 Communications and telephone 10 14 1014 Computer operations 13 86 11 16 156 12 857 Customer relations 13 86 33 16 156 Depreciation and amoritization 860 927 877 892 Dues and subscriptions 2 15 8 577 850 Education 11 057 7 088 Flower fund 318 633 11 Inventory adjustments 6 056 42 497 12 807 Legal and professional services 13 71 54 119 193 Meaks and travel 2 651 1 720 17 730 Office supplies 29 032 23 666 00 Operational frees 24 625 311 13 811 Pe					
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Chemical usage 171 083 97 799 Other employee benefits 2 267 949 Communications and telephone 41 836 43 615 Communications and telephone 1014 1014 Computer operations 58 629 61 288 Customer relations 13 481 16 156 Depreciation and amoritzation 290 927 877 892 Dues and subscriptions 2 915 8 577 Education 11 057 7 058 Flower fund 318 633 Insurance 480 162 439 833 Inventory adjustments 6 056 42 497 Laboratory testing 91 204 81 723 Laboratory testing 2 651 1 730 Office supplies 29 032 23 686 Operational fees 29 032 23 686 Operational fees 24 625 311 Payoil taxes 24 625 311 Pensities and fines 23 3750 222 476 Vehicle 233 750 22 476	Bank fees				
Other employed benefits 2 267 949 Communcations and telephone 41 836 43 615 Communcations and telephone 1014 1014 Computer operations 58 629 61 288 Customer relations 13 481 16 156 Depreciation and amortization 890 927 877 892 Dues and subscriptions 2 915 8 577 Education 11 057 7 058 Flower fund 318 633 Insurance 480 162 439 833 Insurance and professional services 91 204 81 72 Legal and professional services 30 354 30 940 Office supplies 2 90 32 2 696 Operational fees 30 354 30 940 Other 28 817 28 372 Payroll taxes 14 2 676 131 468 Penalities and fines 2 4 625 311 Payroll taxes 24 625 313 Penalities and manetrance 683 376 523 507 Salaries and maintenance 8193	•				
Communications and telephone 41 836 43 615 Commitment frees 10 14 10 14 Computer operations 58 629 61 288 Customer relations 13 481 16 165 Depreciation and amoritzation 289 0927 877 892 Dues and subscriptions 2 915 8 577 Education 11 057 7 058 Flower fund 318 633 Insurance 480 162 439 833 Inventory adjustments 6 056 42 497 Laboratory testing 91 204 81 723 Legal and professional services 137 154 119 193 Masis and travel 2 651 1730 Office supplies 20 002 23 666 Operational fees 24 625 311 Pension - 401(k) 13 811 16 166 Postage 27 232 25 418 Repairs and maintenance 68 3736 55 357 Salaries and stadby fees 23 3750 222 476 Water purchases and stadby fees 23 3750	Chemical usage		171 083		97 799
Commitment fees 1014 1014 Computer operations 58 629 61 288 Customer relations 13 481 16 156 Deprectation and amortization 890 927 877 892 Dues and subscriptions 2 915 8 577 Education 11 057 7 058 Flower fund 318 633 Insurance 480 162 439 833 Insurance valuestriptions 9 1204 81 723 Legal and professional services 9 1204 81 723 Legal and professional services 2 9032 2 696 Operational fees 2 0 032 2 696 Operational fees 30 344 30 040 Other 28 817 28 372 Payroll taxes 142 676 133 468 Penatities and fines 24 625 311 Penatities and maintenance 683 376 553 507 Salaries and maintenance 883 736 522 474 Uniform services 81 93 5742 Uniform services 81 93 5742 </td <td>Other employee benefits</td> <td></td> <td>2 267</td> <td></td> <td>949</td>	Other employee benefits		2 267		949
Computer operations \$6 629 61 288 Customer relations 13 481 16 156 Depreciation and amortization 890 927 877 892 Dues and subscriptions 2 915 8 577 Education 11 057 7 058 Flower fund 318 633 Insurance 480 162 43 9833 Inventory adjustments 6 056 42 497 Laboratory testing 91 204 81 723 Legal and professional services 13 317 154 119 193 Meals and travel 26 51 1 730 Office supplies 29 032 22 666 Operational fees 23 034 30 040 Other 28 817 28 317 Payroll taxes 14 2 676 13 346 Pension - 401(k) 13 811 16 186 Postage 21 3750 22 476 Uhiftom services 8 193 5 742 Ulifities 23 050 22 476 Vehicle 18 043 16 2 680 Water production	Communications and telephone		41 836		43 615
Custome relations 13 481 16 156 Depreciation and amortization 89 927 877 892 Dues and subscriptions 2 915 8 577 Education 11 057 7 058 Flower fund 318 633 Insurance 480 162 439 833 Insurance 6 056 42 497 Legal and professional services 137 154 119 193 Meals and travel 2 651 1 730 Office supplies 29 032 23 686 Operational fees 30 354 30 400 Other 28 817 28 372 Payroll taxes 142 676 13 481 Penalties and fines 24 625 311 Penalties and fines 23 355 1507 Salaries and wages 20 837 356 253 507 Valide 13 881 16 186 Postage 23 3750 22 476 Vultifues 23 3750 22 476 Vultifues 23 3750 22 476 Vehicle 180 483	Commitment fees				
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Education 11 057 7 058 Flower fund 318 633 Insurance 480 162 439 833 Inventory adjustments 6 056 42 497 Laboratory testing 91 204 81 723 Legal and professional services 137 154 119 193 Meals and travel 2 651 1 730 Office supplies 29 032 23 696 Operational fees 29 032 23 696 Operational fees 142 676 133 468 Penalties and fines 24 4625 311 Pension - 401(k) 13 811 16 186 Postage 27 232 25 418 Repairs and maintenance 663 736 553 507 Salaries and wages 20 18 398 1 868 294 Uniform services 8 193 5 742 Velitities 130 75 742 2108 Water production fees 11 731 39 212 TOTAL OPERATING EXPENSES 5 507 8422 5 078 432 OPERATING INCOME 1 153 218 1 225 566 <td>Depreciation and amortization</td> <td></td> <td>890 927</td> <td></td> <td>877 892</td>	Depreciation and amortization		890 927		877 892
Flower fund 318 633 Insurance 480 162 439 833 Inventory adjustments 6 056 42 497 Laboratory testing 91 204 81 723 Legal and professional services 137 154 119 193 Meals and travel 2 651 1 730 Office supplies 29 032 23 696 Operational fees 30 354 30 040 Other 28 817 28 372 Payroll taxes 24 625 311 Pension - 401(k) 13 811 16 186 Postage 27 232 25 418 Repairs and maintenance 668 736 553 507 Salaries and wages 2018 398 18 86 294 Uniform services 8 193 5 742 Utilities 233 750 222 476 Vehicle 180 483 162 680 Water purchases and standby fees 82 254 82 244 Water purchases and standby fees 21 55 506 882 5 078 432 OPERATING INCOME 1 153 218 1 225 566 </td <td>Dues and subscriptions</td> <td></td> <td>2 915</td> <td></td> <td>8 577</td>	Dues and subscriptions		2 915		8 577
Insurance 480 162 439 833 Inventory adjustments 6 056 42 497 Laboratory testing 91 204 81 723 Legal and professional services 137 154 119 193 Meals and travel 2 651 1 730 Office supplies 2 9 032 23 696 Operational fees 30 354 30 040 Other 28 817 28 372 Payroll taxes 142 676 133 468 Penalties and fines 24 625 311 Pension - 401(k) 13 811 16 186 Postage 27 232 25 418 Repairs and maintenance 683 736 553 507 Salaries and wages 2 018 398 1 868 294 Uniform services 2 133 750 22 476 Vehicle 180 483 162 680 Water purchases and standby fees 81 254 82 254 Vehicle 11 53 218 1 225 566 Other Income 21 497 7 073 Interest income 7 479 7 073	Education		11 057		7 058
Inventory adjustments 6 056 42 497 Laboratory testing 91 204 81 723 Legal and professional services 137 154 119 193 Meals and travel 2 651 1 730 Office supplies 29 032 23 636 Operational fees 30 354 30 040 Other 28 817 28 372 Payroll taxes 142 676 133 468 Penalties and fines 24 625 311 Persion - 401(k) 13 811 16 186 Postage 27 232 25 418 Repairs and maintenance 683 736 553 507 Salaries and wages 20 18 398 1868 294 Uniform services 8 193 5 742 Utilities 233 750 222 476 Vehicle 180 483 162 680 Water purchases and standby fees 82 254 82 244 Water production fees 11 731 39 212 TOTAL OPERATING INCOME 11 53 218 1 225 566 Other Income 7 479 7 073 </td <td>Flower fund</td> <td></td> <td>318</td> <td></td> <td>633</td>	Flower fund		318		633
Laboratory testing 91 204 81 723 Legal and professional services 137 154 119 193 Meals and travel 2 651 1 730 Office supplies 29 032 23 696 Operational fees 30 354 30 040 Other 28 817 28 372 Payroll taxes 142 676 133 468 Penalties and fines 24 625 3111 Pension - 401(k) 13 811 16 186 Postage 27 232 25 418 Postage 23 750 222 476 Utilities 23 3750 222 476 Vehicle 180 483 162 680 Water purchases and standby fees 8 255 50 78 432 OPERATING EXPENSES 50 50 882 5 078 432 OPERATING INCOME 1 153 218 1 225 566 Other Income 7 479 7 073 Interest income 7 479 7 073 Interest expense (214 716) (197 778) Gain (loss) on disposition of assets 29 100 -	Insurance		480 162		439 833
Laboratory testing 91 204 81 723 Legal and professional services 137 154 119 193 Meals and travel 2 651 1 730 Office supplies 29 032 23 696 Operational fees 28 817 28 372 Payroll taxes 142 676 133 468 Penalties and fines 24 625 3111 Persion - 401(k) 13 811 16 186 Postage 27 232 25 418 Repairs and maintenance 683 736 553 507 Salaries and wages 2018 398 1 868 294 Uniform services 81 39 5 742 Utilities 233 750 222 476 Vehicle 180 483 162 680 Water purchases and standby fees 82 254 82 244 Water production fees 11 731 39 212 TOTAL OPERATING EXPENSES 505 882 5 078 432 OPERATING INCOME 1 153 218 1 225 566 Other Income 7 479 7 073 Interest income 7 479 7 073<	Inventory adjustments		6 056		42 497
Meals and travel 2 651 1 730 Office supplies 29 032 23 696 Operational fees 30 354 30 040 Other 28 817 28 372 Payroll taxes 142 676 133 468 Penalites and fines 24 625 311 Pension - 401(k) 13 811 16 186 Postage 27 232 22 54 18 Repairs and maintenance 663 736 553 507 Salaries and wages 2 018 398 1 868 294 Uniform services 8 193 5 742 Utilities 233 750 222 476 Vehicle 180 483 162 680 Water purchases and standby fees 82 254 82 244 Water purchases and standby fees 5 505 882 5 078 432 OPERATING INCOME 1 153 218 1 225 566 Other Income 7 479 7 073 Interest income 7 479 7 073 Interest expense (214 716) (197 778) Gain (106s) on disposition of assets 29 100 - Other income 21 052 89 491 <t< td=""><td></td><td></td><td>91 204</td><td></td><td>81 723</td></t<>			91 204		81 723
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Operational fees 30 354 30 040 Other 28 817 28 372 Payroll taxes 142 676 133 468 Penalties and fines 24 625 311 Pension - 401(k) 13 811 16 186 Postage 27 232 25 418 Repairs and maintenance 683 736 553 507 Salaries and wages 2 018 398 1868 294 Uniform services 8 193 5 742 Utilities 233 750 222 476 Vehicle 180 483 162 680 Water purchases and standby fees 82 254 82 244 Water production fees 11 731 39 212 TOTAL OPERATING INCOME 1 153 218 1 225 566 Other Income (Expenses): 1 11 153 218 1 225 566 Other Income (Expenses): 29 100 - 10 000 Interest income 21 052 89 491 - 10 000 Interest expense (214 716) (197 778) Gain (loss) on disposition of assets 29 100 - 21 052 <	Meals and travel		2 651		1 730
Operational fees 30 354 30 040 Other 28 817 28 372 Payroll taxes 142 676 133 468 Penalties and fines 24 625 311 Pension - 401(k) 13 811 16 186 Postage 27 232 25 418 Repairs and maintenance 683 736 553 507 Salaries and wages 2 018 398 1868 294 Uniform services 8 193 5 742 Utilities 233 750 222 476 Vehicle 180 483 162 680 Water purchases and standby fees 82 254 82 244 Water production fees 11 731 39 212 TOTAL OPERATING INCOME 1 153 218 1 225 566 Other Income (Expenses): 1 11 153 218 1 225 566 Other Income (Expenses): 29 100 - 10 000 Interest income 21 052 89 491 - 10 000 Interest expense (214 716) (197 778) Gain (loss) on disposition of assets 29 100 - 21 052 <	Office supplies		29 032		23 696
Payroll taxes 142 676 133 468 Penalties and fines 24 625 311 Pension - 401(k) 13 811 16 186 Postage 27 232 25 418 Repairs and maintenance 683 736 553 507 Salaries and wages 2 018 398 1 868 294 Uniform services 8 193 5 742 Utilities 233 750 222 476 Vehicle 180 483 162 680 Water purchases and standby fees 82 254 82 244 Water purchases and standby fees 11 731 39 212 TOTAL OPERATING EXPENSES 5 505 882 5 078 432 OPERATING INCOME 11 153 218 1 225 566 Other Income (Expenses): 11 153 218 1 225 566 Dividend income 7 479 7 073 Interest income 7 479 7 073 Interest income 29 100 - Other income 20 102 89 491 TOTAL OTHER INCOME (EXPENSES) 29 100 - Other income 20 102 89 491 Other income 20 100 -			30 354		30 040
Penalties and fines 24 625 311 Pension - 401(k) 13 811 16 186 Postage 27 232 25 418 Repairs and maintenance 683 736 553 507 Salaries and wages 2 018 398 1 868 294 Uniform services 2 13 750 222 476 Utilities 23 750 222 476 Vehicle 180 483 162 680 Water purchases and standby fees 82 254 82 244 Water production fees 11 731 39 212 TOTAL OPERATING EXPENSES 5 505 882 5 078 432 OPERATING INCOME 1153 218 1 225 566 Other Income (Expenses): - 10 000 Interest income 7 479 7 073 Interest expense (214 716) (197 778) Gain (loss) on disposition of assets 29 100 - Other income 21 052 89 491 TOTAL OTHER INCOME (EXPENSES) (125 373) (70 608) Other income 21 052 89 491 TOTAL OTHER INCOME (EXPENSES) 1 027 845 1 154 958 Other income <td< td=""><td>Other</td><td></td><td>28 817</td><td></td><td>28 372</td></td<>	Other		28 817		28 372
Penalties and fines 24 625 311 Pension - 401(k) 13 811 16 186 Postage 27 232 25 418 Repairs and maintenance 683 736 553 507 Salaries and wages 2 018 398 1 868 294 Uniform services 2 13 750 222 476 Utilities 23 750 222 476 Vehicle 180 483 162 680 Water purchases and standby fees 82 254 82 244 Water production fees 11 731 39 212 TOTAL OPERATING EXPENSES 5 505 882 5 078 432 OPERATING INCOME 1153 218 1 225 566 Other Income (Expenses): - 10 000 Interest income 7 479 7 073 Interest expense (214 716) (197 778) Gain (loss) on disposition of assets 29 100 - Other income 21 052 89 491 TOTAL OTHER INCOME (EXPENSES) (125 373) (70 608) Other income 21 052 89 491 Other income 21 052 89 491 Other income 21 052	Pavroll taxes		142 676		133 468
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The notes to financial statements are an integral part of these statements.

LAKE LIVINGSTON WATER SUPPLY CORPORATION STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2022 and 2021

		2022		2021
Cash Flows from Operating Activities:				
Cash received from members	\$	6 578 378	\$	6 318 247
Cash paid for payroll and related taxes		(2 150 835)		(2 023 182)
Cash paid to suppliers for operating expenses		(2 606 204)		(2 163 504)
Interest, dividends and grants received		60 243		127 170
Interest paid		(174 485)		(153 855)
NET CASH PROVIDED BY OPERATING ACTIVITIES		1 707 097		2 104 876
Cash Flows from Investing Activities:				
Cash payments for the purchases of fixed assets		(536 644)		(569 024)
Cash proceeds from the disposition of property		29 100		-
Proceeds from retirements of investments		30 352		32 960
Stock dividends		(11 210)		(12 585)
NET CASH (USED) BY INVESTING ACTIVITIES		(488 402)		(548 649)
Cash Flows from Financing Activities:				
Proceeds from issuance of debt		66 606		-
Principal payments on long-term debt		(1 151 815)		(1 134 218)
Increase in membership fees		13 600		17 600
Increase (decrease) in customer deposits		29 850		18 875
NET CASH (USED) BY FINANCING ACTIVITIES		(1 041 759)		(1 082 903)
NET INCREASE IN CASH AND CASH EQUIVALENTS		176 936		473 324
Cash and cash equivalents, beginning of year		5 307 312		4 833 988
CASH AND CASH EQUIVALENTS, END OF YEAR	\$	5 484 248	\$	5 307 312
Reconciliation of Change in net assets to Net Cash Provided by Operating Activities:				
Change in net assets	\$	1 027 845	\$	1 154 958
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:				
Amortization - Debt issue costs		43 556		43 555
Depreciation		890 927		880 098
(Gain) loss on disposition of assets		(29 100)		13 460
(Increase) decrease in accounts receivable and unbilled revenue		(80 722)		14 249
(Increase) decrease in prepaid expenses		(56 268)		(37 914)
(Increase) decrease in inventory		(92 394)		13 813
Increase (decrease) in accounts payable		(17 472)		27 523
Increase (decrease) in accrued liabilities		20 725		(4 866)
TOTAL ADJUSTMENTS	-	679 252	ب	949 918
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$	1 707 097	\$	2 104 876

The notes to financial statements are an integral part of these statements.

NOTE A - NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Lake Livingston Water Supply Corporation (the "Corporation") is a member-owned non-profit corporation incorporated pursuant to the provisions of Texas Water Code Chapter 67, for the purpose of furnishing a potable water. The Corporation provides water to 7,388 members in Polk, Hardin, Liberty, San Jacinto, Trinity, and Walker County areas. The Corporation has 73 water plants serving 113 subdivisions. The Corporation's water quality is regulated by the Texas Commission on Environmental Quality ("TCEQ").

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting in accordance with generally accepted accounting principles, in all material respects.

Cash and Cash Equivalents

Cash and cash equivalents represent all cash on hand and in banks and all short-term, highly liquid investments that are readily convertible to known amounts of cash within three months or less.

Accounts Receivable

Accounts receivable are carried at cost. The Corporation uses the allowance method to account for uncollectible accounts. Receivables from employees and others not incurred while providing water service is reported as other receivables on the balance sheet (none as of December 31, 2022 and 2021). There was approximately \$36,000 of receivables 90 days or more past due at December 31, 2022 and 2021, shown in the allowance account. Accounts deemed uncollectible are offset with the respective customer deposit and any amount remaining is charged off as a bad debt.

Inventory

Inventory is comprised of spare meters and supplies used in maintenance and operations and is carried at cost, which is the lower of cost or net realizable value on a first in first out basis. As inventory is used, it is expensed to operations.

Property and Equipment

Property, plant, and equipment are recorded at cost. Major renewals and betterments including the original cost of construction or installation, the cost of contracted services, direct labor and materials, and appropriate overhead items are charged to the property accounts while replacements, maintenance and repairs which do not extend the life of the respective assets are expensed currently.

Property, plant, and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the asset, a loss is recognized for the difference between the fair value and carrying value of the asset.

Construction in progress is accumulated in an asset account, "construction in progress," until such time as the additions to plant and equipment are complete and placed in service. Upon placing the asset in service it is transferred to the appropriate fixed asset account and depreciated. The corporation capitalizes interest amounts incurred due to long-term construction to the assets being constructed. These costs are included in construction in progress until the asset is placed in service.

Depreciation

For financial reporting purposes, provisions for depreciation of utility plant are determined using the straight-line method at rates applied to individual classes of property in accordance with depreciable lives established by the TCEQ. Depreciation of non-utility property and equipment is recorded using various straight-line methods. Depreciation lives are as follows:

Water supply and distribution system	5 - 20 years
Buildings	30 years
Office furniture and equipment	5 - 7 years
Transportation	5 years

Investments

Investment in CoBank is accounted for using the original cost. This method results in carrying amount that approximates the fair value due to the investment in CoBank being a condition of the note payable.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE A - NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Income Taxes

The Corporation qualifies as a tax-exempt organization under Section 501(c)(12) of the Internal Revenue Code of 1986 and no provision for federal income tax has been made in the accompanying financial statements. Financial Accounting Standards Board Codification Section 740 requires recognition, measurement and disclosure of uncertain tax positions. The Corporation currently accounts for uncertain tax positions based on the estimated likelihood of assessment and has not determined that any tax positions require an accrual based on current standards of accounting. The Corporation is generally no longer subject to Federal tax examination for years before 2019.

Comprehensive Income

The Corporation has no items of comprehensive income other than income from normal operations; therefore, comprehensive income is equal to net income and no statement of comprehensive income is presented.

Revenue Recognition

The Corporation follows the guidance in ASC 606 revenues from contracts with customers. The Corporation's policies with respect to its various revenue streams are detailed below. In general, the Corporation applies the invoicing practical expedient to recognize revenue for the revenue streams detailed below, except in circumstances where the invoiced amount does not represent the value transferred to the customer.

Gross revenues for water sales to retail customers, who are members of the Corporation, are recognized as the Corporation transfers the promised water to the customer. The Corporation's performance obligation with the customer is satisfied over time.

Variable components of transaction price, such as late fees, are not recognized until uncertainty around the Corporations right to charge them are resolved. Because the Corporation bills its customers monthly as water is consumed and because pricing is reflective of market conditions and value delivered to the customer, management has elected to apply the invoicing practical expedient to recognize revenue.

The Corporation accrues for revenues to the extent deliveries have occurred but for which a bill has not been issued. The amount of estimated revenue accrued would represent the revenue associated with the water consumed by the members in the current month, but not billed until the following month.

Accounts receivable represents sales of water and other charges made to members. They are recorded at the amount billed less an allowance for uncollectible accounts. An allowance is provided for accounts which management estimates there is doubt as to their collections (allowance for bad debts). This estimate is based on knowledge of particular customers as well as historical losses on accounts. The Corporation does not assess interest on past due accounts receivable. Approximately \$35,217 and \$36,420 of accounts receivable were past due more than 60 days at December 31, 2022 and 2021, respectively.

NOTE B - LONG-TERM DEBT

At December 31, 2022 and 2021, the Corporation was liable for the following long-term debt:

Advances on CoBank revolving line of credit.	\$ 2022 600 000	\$ 2021 600 000
 Single advance term loan of \$1,642,826 from CoBank to refinance the United States Department of Agriculture Rural Utilities Service (USDA) loan for capital improvements, due April 20, 2026; principal and interest payable monthly, variable interest; secured by all real and personal property of the Corporation. Multiple advance water system revenue bonds, taxable series 2007, issued through and payable to the Texas Water Development Board; maturing annually through December 1, 2039 with first maturity due in December, 	497 430	639 727
 2010; callable at 100 on December 1, 2017; interest at 0%; secured by first lien and pledge of gross revenues of water and sewer system and all real and personal property of the Corporation; \$17,500,000 total approved issue; \$710,086 available for issue at December 31, 2018. Single advance water system revenue bonds taxable series 2013, \$3,130,000 issued through and payable to the Texas Water Development Board; maturing annually through December 1, 2034 with first maturity due in December 2015; callable at 100 on December 1, 2023; interest at 0.95-4.73%; secured by first lien and 	11 935 000	12 790 000
pledge of gross revenues of water and sewer system and all real and personal property of the Corporation.	2 295 000	2 440 000
Capital lease Pitney Bowes postage meter	63 552	-
Capital lease Texas Document Solutions copier	8 376	 14 840
TOTAL NOTES PAYABLE	15 399 358	16 484 567
Less current maturities	(1 761 929)	(1 740 601)
Less debt issue costs	(580 326)	 (623 882)
	\$ 13 057 163	\$ 14 120 084

The Corporation has a \$1,000,000 revolving line of credit with CoBank to finance the operating needs of the Corporation. The line of credit is a supplement to the master loan agreement dated April 1, 1997, bears interest at a variable rate and matures March 1, 2023 and was extended for an additional year before the date of the audit report. The Corporation had a balance of \$600,000 drawn on the line as of December 31, 2022.

NOTE B - LONG-TERM DEBT - CONTINUED

The CoBank notes contain various covenants including but not limited to the maintenance of certain debt service and operating ratios, future incurrence of debt or long-term leases, the maintenance of a debt cash reserve, and changes in the corporate structure. In the event the Corporation fails to comply with these covenants and other restrictions, it could be in default under the agreements, and substantially all of its debt maturities could be accelerated. In addition, if the Corporation prepays all or any portion of the notes, prepayment penalties will be assessed by CoBank.

The covenant with CoBank relating to the reserve cash account requires the Corporation to establish and maintain a reserve balance of \$150,000. CoBank has a security interest in these accounts and, in the event of default, the right to claim these funds. As of December 31, 2022 the balance in the reserve account was \$175,572 and is included in reserve funds on the accompanying statement of financial position.

The loan agreement with CoBank requires the Corporation to purchase non-voting participation certificates in CoBank. Equity is earned through patronage dividends and can be redeemed by CoBank after the loan is paid in full. These dividends are accrued annually using an estimate provided by CoBank; estimated dividends for 2022 and 2021 were approximately \$3,422 and \$4,195, respectively. The Corporation held \$196,376 and \$215,518 of patronage certificates at December 31, 2022 and 2021, respectively. These are included in investments on the accompanying statements of net position.

The 2007 water system revenue bond order with the Texas Water Development Board requires the maintenance of a reserve fund in an amount at least equal to the average annual debt service requirements of the bonds and any additional bonds issued. The reserve is to be funded over a 60-month period with monthly deposits of \$9,722 beginning October 25, 2007. At December 31, 2022, the Corporation had deposited the required reserve to-date of \$730,487, shown as reserve funds on the accompanying balance sheet. The bond order also requires that all funds and reserve funds established pursuant thereto will be secured by a pledge by a financial institution of general obligations of the United States or obligations unconditionally guaranteed by the United States or be invested as provided in the Public Funds Investment Act Chapter 2256, Texas Government Code (PFIA). As of December 31, 2022, the reserve funds were invested in interest-bearing transaction and certificate of deposit accounts in financial institutions the accounts are 100% insured by the Federal Deposit Insurance Corporation and as such are authorized investments under the PFIA.

Debt issue costs of \$922,263 were incurred in connection with the series 2007 bond issue. The majority (99.9%) of these costs were funded with the initial issue of \$1,055,000. They are being amortized to interest expense over a 30-year period using the straight-line method, the results of which, will not differ materially from the effective interest or constant yield method. During 2022 and 2021, approximately \$31,350 and \$31,350 was amortized to interest expense.

Debt issue costs of \$244,104 were incurred in connection with the series 2013 bond issue. The majority (99.9%) of these costs were funded with the initial issue of \$3,130,000. Debit issues costs are being amortized to interest expense over a 21-year period using the straight-line method, the results of which, will not differ materially from the effective interest or constant yield method. Approximately \$12,205 and \$12,205 was amortized to interest expense during December 31, 2022 and 2021, respectively.

The 2013 water system revenue bond order with the Texas Water Development Board requires the maintenance of escrow accounts regarding the obligations of the 2013 series bonds and loan forgiveness grant. The escrow accounts are to be maintained at a bank on behalf of the Corporation and TWDB and shall not be commingled with any other accounts or with any other proceeds or funds. The escrowed funds are held for the purpose of replacing existing water meters and amounts shall be disbursed in accordance with the bond order and solely upon written authorization from the TWDB. The funds in escrow are to be held in an authorized institution and invested in accordance with the Public Funds Investment Act, Texas Government Code, Chapter 2256 and Public Funds Collateral Act, Texas Government Code, Chapter 2257(PFIA). Accordingly, at December 31, 2022, the escrowed funds were invested in short term cash management funds which are invested in U.S. Government obligations, which qualify as permissible investments under the PFIA. The escrowed funds amounted to \$1,603,885 and \$1,592,055 at December 31, 2022 and 2021, respectively, and is included in reserve funds on the accompanying statements of net position.

Approximate maturities of long-term debt principal at December 31, 2022 for the next five years are as follows:

	NOTES		REVENUE BONDS		LINE OF CREDIT	CAPITAL LEASES	TOTAL
Fiscal Years Ending:		-		-			
December 31, 2023	\$ 137 762	\$	1 005 000	\$	600 000	\$ 19 167	\$ 1 761 929
December 31, 2024	141 486		1 010 000		-	14 652	1 166 138
December 31, 2025	145 310		1 015 000		-	13 424	1 173 734
December 31, 2026	72 872		1 025 000		-	13 915	1 111 787
December 31, 2027	-		1 030 000		-	10 770	1 040 770
Thereafter	-		9 145 000		-	-	9 145 000
TOTALS	\$ 497 430	\$	14 230 000	- \$	600 000	\$ 71 928	\$ 15 399 358

NOTE C - EMPLOYEE BENEFIT PLANS

During 1998, the Corporation established a 401(k) retirement plan for the benefit of substantially all of its employees. Under the plan and trust document, the employee may elect to reduce their salary by contributions to the plan. In 2007, the plan was amended to require employer matching contributions. Employer contributions are 35% of the first 6% of the respective employees' salary reduction. The Corporation may elect to make a discretionary contribution to the plan. For the years ended December 31, 2022 and 2021, the Corporation contributed \$13,811 and \$16,186 to the plan, respectively.

For the year ended December 31, 2022 and 2021, the Corporation paid approximately \$359,000 and \$325,000, respectively, in health insurance premiums for the employees. This amount is included in insurance expense on the accompanying income statement.

NOTE D - CONCENTRATIONS

Substantially all of the Corporations revenue is derived from water sales to its members in Polk County, Texas and surrounding counties. The economic conditions in these areas have a large effect on the results of operations of the Corporation.

NOTE E - MEMBERSHIP CERTIFICATES

A summary of changes in membership certificates follows:

	2022	2021
Balance - Beginning of year	\$ 701 400	\$ 683 800
Net additions	13 600	17 600
BALANCE - END OF YEAR	\$ 715 000	\$ 701 400

NOTE F - COMMITMENTS AND CONTINGENCIES

Raw Water Supply Contract

In August, 2007, the Corporation entered into a "Raw Water Supply Contract" with the Trinity River Authority of Texas (the Authority). The purpose of the contract is to provide an additional source of water supply for the Corporation. The basic terms of the contract provide the Corporation with the right to purchase raw water from Livingston Reservoir at the Authority's rates in effect over the following periods and in the following amounts:

	AVERAGE	TOTAL ANNUAL
FISCAL	DAILY	AMOUNTS IN
YEARS	AMOUNTS	ACRE-FEET (AF)
2021 - 2025	0.797 MGD	893 AF/Year
2026 - 2030	0.815 MGD	913 AF/Year
2031 - 2035	0.833 MGD	933 AF/Year
2036 - 2040	0.852 MGD	954 AF/Year

The acronym "MGD" means millions of gallons per day and the acronym "AF" means acre-feet.

The Corporation did not purchase any raw water in 2022 or 2021.

The contract also provides for the Corporation to pay annual standby fees to the Authority that are calculated pursuant to formulas based upon the amount of water that the Authority is obligated to sell to the Corporation on each annual basis. Standby fees are assessed whether or not the Corporation purchases any water. For the year ended December 31, 2022 and 2021, the Corporation incurred approximately \$82,000 and \$82,000 in standby fees, respectively.

The contract expires on December 1, 2040.

NOTE G - SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 23, 2023, the date the financial statements were available to be issued.

NOTE H - PRIOR PERIOD ADJUSTMENT

Implementation of FASB ASC 842 resulted in a prior period adjustment of \$2,206 to record related assets and liabilities in the government wide statements for year ended December 31, 2021.

NOTE I – RESTATEMENT OF PRIOR YEAR FINANCIALS

Implementation of FASB ASC 842 resulted in a restatement of prior year related assets and liabilities in the government wide statements.

SUPPLEMENTARY INFORMATION

LAKE LIVINGSTON WATER SUPPLY CORPORATION SCHEDULE OF WATER USAGE DETAILS AND STATISTICS December 31, 2022 and 2021

2022	2021
489 478 000	525 784 000
287 433 000	254 503 000
35 323 494	18 761 824
7 502	7 388
38 316	34 449
7.2%	3.6%
41.3%	51.6%
	489 478 000 287 433 000 35 323 494 7 502 38 316 7.2%